



External Quality Control Review

of the
City Auditor's Office, City of Mesa,
Arizona

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**



Association of Local Government Auditors

March 24, 2022

Joseph Lisitano, City Auditor
20 E. Main St., Suite 820
Mesa, AZ 85201

Dear Mr. Lisitano,

We have completed a peer review of the City Auditor's Office for the period from July 1, 2020 through June 30, 2021. In accordance with generally accepted government auditing standards peer review requirements, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

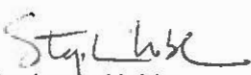
We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

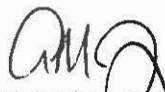
- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case but does imply adherence in most situations. Organizations can receive a rating of pass, pass with deficiencies, or fail. The Mesa City Auditor's Office has received a rating of pass.

Further, based on the results of our review, it is our opinion that the Auditor's Office internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits during the review period.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.


Stephanie Noble
City Auditor's Office,
City of San José, CA


April Jordan, CIA, CFE
City Internal Auditor's Office,
City of Shreveport, Louisiana



Association of Local Government Auditors

March 24, 2022

Joseph Lisitano, City Auditor
20 E. Main St., Suite 820
Mesa, AZ 85201

Dear Mr. Lisitano,

We have completed a peer review of the City Auditor's Office for the period from July 1, 2020 through June 30, 2021 and issued our report thereon dated March 24, 2022. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- the policies and procedures are clear and well-structured, and align well with *Government Auditing Standards*,
- the preliminary survey process is comprehensive and organized, and
- documented workpapers and interactions with staff reflect strong supervision.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

1. Standards 3.52 and 3.55 recognize that "the ability of an audit organization structurally located in a government entity to perform work and report the results objectively can be affected by the structure of the government entity being audited" and that "constitutional or statutory provisions may be used as safeguards to augment structural independence." We observed that, in the City of Mesa, by policy or practice, mid-cycle adds to the annual audit plan must be approved by the City Manager; the City Manager schedules the Council Audit, Finance & Enterprise Committee only when there is a need; and access to records for audit purposes is based on management policy rather than by ordinance or charter requirement.

We suggest, in accordance with Standard 3.55, that the City of Mesa implement legislative provisions that provide protections that prevent the audited entity from interfering with initiation, scope, timing, and completion of any engagement; require the audit organization to report to a legislative body or other independent governing body on a recurring basis; and provide access to records and documents related to the agency, program, or function being audited and access to officials as needed to conduct the engagement.

2. Standard 3.64 requires auditors to determine, before agreeing to provide a non-audit service to an audited entity, whether providing such a service would create a threat to independence, either by itself or in aggregate with other non-audit services provided, with respect to any performance audit they conduct. For the non-audit service we reviewed, considerations of independence were not documented. By our assessment, the service provided would not have impaired independence.

Relatedly, Standard 3.83 requires auditors who previously provided non-audit services for an entity that is a prospective subject of an engagement, to evaluate the effect of those non-audit services on independence before agreeing to conduct a performance audit. Based on our review of Office procedures and workpapers, there is not a clear process by which the Office evaluates the impact of independence of any previously performed non-audit services before accepting prospective engagements.

We suggest the City Auditor create a form or other form of documentation to support considerations of independence prior to engaging a non-audit service, in accordance with Standard 3.64. This could be a companion to the Office's Non-Audit Service Agreement. We also suggest that the City Auditor incorporate a step in the planning phase of an audit to identify relevant non-audit services provided by the Office in the past, to evaluate the impact to independence for the proposed engagement, and to implement safeguards as needed.

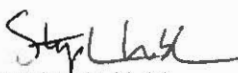
3. Standards 4.16 and 4.17 require that every two years, auditors complete at least 80 hours of Continuing Professional Education (CPE), with a minimum of 20 hours per year, and that over a two-year period, 24 hours must directly relate to the government environment, government auditing, or specific environment in which the entity operates.


Standard 4.18 states that "the audit organization should maintain documentation of each auditor's CPE." Standard 5.16 also requires the audit organization to establish policies and procedures to provide reasonable assurance that auditors meet CPE requirements, including maintaining documentation of the CPE completed and any exemptions granted. In reviewing the Office's CPE documentation, we observed that the City Auditor's Office does not maintain documentation of each auditor's CPE. Also, the Office does not have a system to ensure auditors meet CPE requirements, including maintaining documentation of CPE completed and any exemptions granted. While we noted that current staff met hour requirements and had supporting documentation, some former staff either did not meet the hour requirements at the time of their departure or the Office did not retain documentation supporting CPE hours.

We suggest the City Auditor develop a centralized system for tracking CPE hours and maintaining CPE documentation and perform periodic reviews of staff CPE hours to ensure staff meet standards.

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,


Stephanie Noble
City Auditor's Office,
City of San José, California


April Jordan, CIA, CFE
City Internal Auditor's Office,
City of Shreveport, Louisiana



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

March 24, 2022

Stephanie Noble
City Auditor's Office, City of San Jose, California

April Jordan, CIA, CFE
City Internal Auditor's Office, City of Shreveport, Louisiana

Re: Peer Review of the City Auditor's Office, City of Mesa, Arizona

On behalf of the City of Mesa, I would like to thank you, as well as the Association of Local Government Auditors, for your time and effort in providing us with this valuable service. We are pleased that the peer review team determined the City Auditor's Office internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.

We concur with the recommendations you have provided to strengthen our organization's adherence to *Government Auditing Standards*. We will take the following action on the proposed recommendations:

- We will work with the City Council and City Management to pursue legislative updates that will help strengthen our independence that provide protections to prevent the audited entity from interfering with initiation, scope, timing, and completion of any engagement; require our office to report to the Audit, Finance, and Enterprise committee on a recurring basis; and provide access to records and documents related to the agency, program, or function being audited and access to officials as needed to conduct the engagement. (**Standards 3.52 and 3.55**)
- We will create a form that documents our consideration of independence prior to engaging in a non-audit service, which will be included as part of our audit documentation. (**Standard 3.64**)
- We will include a step in our preliminary survey workpaper to identify and evaluate the impact of any relevant non-audit service to independence during the planning phase of an engagement and implement safeguards as needed. (**Standard 3.83**)
- We will develop a centralized system to track CPE hours and assign a staff member to periodically review staff hours and documentation to ensure staff is meeting CPE requirements. (**Standards 4.16-4.18**)

The City Auditor's Office appreciates the work of the peer review team and their effort in conducting the review. If you have any questions, please feel free to contact me at (480) 644-5059 or joseph.lisitano@mesaaz.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Lisitano'.

Joseph Lisitano, CPA, CIA
City Auditor